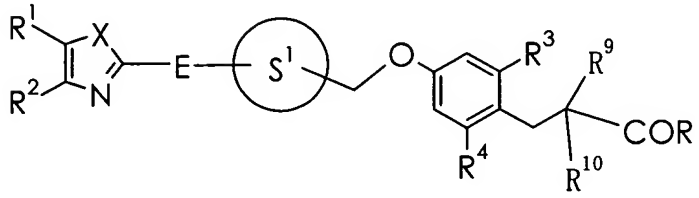
AMENDMENTS TO THE CLAIMS

1. (Original) A compound represented by the formula (I)



(I)

wherein X is S or O,

R^1 and R^2 are the same or different and each is a hydrogen atom, an optionally substituted C_{6-14} aryl group, an optionally substituted heterocyclic group or an optionally substituted C_{1-6} alkyl group, or R^1 and R^2 are bonded to each other to form a ring together with the carbon atom they are bonded to,

E is $-W^1-N(R^5)-W^2-$, $-W^1-CH(R^6)-O-W^2-$, $-W^1-O-CH(R^6)-W^2-$, $-W^1-S(O)n-W^2-$ or $-W^1-CH(R^6)-W^2-$ (W^1 and W^2 are the same or different and each is a bond or an optionally substituted C_{1-3} alkylene group, R^5 and R^6 are each an optionally substituted heterocyclic group or an optionally substituted hydrocarbon group, and n is 1 or 2, provided that when X is S, then R^5 and R^6 are not C_{1-6} alkyl groups),

ring S^1 is a benzene ring or pyridine ring each optionally further having substituent(s) selected from an optionally substituted C_{1-6} alkyl group, an optionally substituted C_{1-6} alkoxy group and a halogen atom,

R^3 and R^4 are the same or different and each is a hydrogen atom, a halogen atom, an optionally substituted C_{1-6} alkyl group or an optionally substituted C_{1-6} alkoxy group,

R^9 and R^{10} are the same or different and each is a hydrogen atom, a halogen atom or a C_{1-6} alkoxy group, and

R is an optionally substituted hydroxy group or an optionally substituted amino group,

or a salt thereof.

2. (Original) The compound of claim 1, wherein E is $-W^1-N(R^5)-W^2-$, $-W^1-CH(R^6)-O-W^2-$, $-W^1-O-CH(R^6)-W^2-$ or $-W^1-CH(R^6)-W^2-$ (W^1 and W^2 are the same or different and each is a bond or an optionally substituted C_{1-3} alkylene group, and R^5 and R^6 are each an optionally substituted heterocyclic group or an optionally substituted hydrocarbon group, provided that when X is S, then R^5 and R^6 are not C_{1-6} alkyl groups),
ring S^1 is a benzene ring optionally further having substituent(s) selected from an optionally substituted C_{1-6} alkyl group, an optionally substituted C_{1-6} alkoxy group and a halogen atom, and R^9 and R^{10} are hydrogen atoms,
or a salt thereof.

3. (Original) A prodrug of a compound of claim 1 or a salt thereof.

4. (Original) The compound of claim 1, wherein R^3 and R^4 are the same or different and each is a hydrogen atom or a halogen atom, or a salt thereof.

5. (Original) The compound of claim 1, wherein E is $-W^1-N(R^5)-W^2-$ (W^1 and W^2 are the same or different and each is a bond or an optionally substituted C_{1-3} alkylene group, and R^5 is an optionally substituted heterocyclic group or an optionally substituted hydrocarbon group, provided that when X is S, then R^5 is not a C_{1-6} alkyl group), or a salt thereof.

6. (Original) The compound of claim 5, wherein R^5 is an optionally substituted C_{7-16} aralkyl group, or a salt thereof.

7. (Original) The compound of claim 1, wherein R is a hydroxy group, or a salt thereof.

8. (Original) The compound of claim 1, wherein X is S, or a salt thereof.

9. (Original) The compound of claim 1, wherein ring S^1 is a benzene ring, or a salt thereof.

10. (Original) The compound of claim 1, wherein both R^9 and R^{10} are hydrogen atoms, or a salt thereof.

11. (Original) 3-[4-[[4-[[(2-Phenylethyl)(4-phenyl-1,3-thiazol-2-yl)amino]methyl]benzyl]oxy]phenyl]propanoic acid,
3-[2,6-difluoro-4-[[4-[[(2-phenylethyl)(4-phenyl-1,3-thiazol-2-yl)amino]methyl]benzyl]oxy]phenyl]propanoic acid,
2-fluoro-3-{4-[(4-{[(2-phenylethyl)(4-phenyl-1,3-thiazol-2-yl)amino]methyl}benzyl)oxy]phenyl}propanoic acid,
3-{2-fluoro-4-[(4-{1-[(4-phenyl-1,3-thiazol-2-yl)sulfonyl]butyl}benzyl)oxy]phenyl}propanoic acid, or a salt thereof.

12. (Cancelled)

13. (Previously Presented) A pharmaceutical composition comprising a compound of claim 1 or a salt thereof or a prodrug thereof, together with a pharmaceutically acceptable carrier.

14-16. (Cancelled)

17. **(Currently amended)** A method for ~~modulating~~ activating GPR40 receptor function in a mammal, for treating type II diabetes, obesity, insulin resistance or impaired glucose tolerance, which comprises administering an effective amount of a compound of claim 1 or a salt thereof or a prodrug thereof to the mammal.

18. (Currently Amended) A method for the ~~prophylaxis or~~ treatment of diabetes in a mammal, which comprises administering an effective amount of a compound of claim 1 or a salt thereof or a prodrug thereof to the mammal.